

STATE OF HAWAI‘I  
OFFICE OF HAWAIIAN AFFAIRS  
560 N. Nimitz Hwy, Suite 200  
Honolulu, HI 96817

Minutes of the Office of Hawaiian Affairs Committee on Resource Management  
Wednesday, October 7, 2015 10:00 a.m.

**ATTENDANCE:**

TRUSTEE COLETTE MACHADO  
TRUSTEE HAUNANI APOLIONA  
TRUSTEE LEI AHU ISA  
TRUSTEE DAN AHUNA  
TRUSTEE C. HULU LINDSEY  
TRUSTEE ROBERT LINDSEY  
TRUSTEE JOHN WAIHE‘E, IV

**ADMINISTRATION STAFF:**

KAMANA‘OPONO CRABBE, KA POUHANA/CEO  
ERNEST KIMOTO, CORP. COUNSEL  
LISA VICTOR, COO  
MOMI LAZO  
HAWLEY IONA, CFO  
RAY MATSUURA  
DYLAN ZHENG  
KARLEN ONEHA

**GUESTS:**

RODNEY LEE  
KIMBERLY LAU  
CATHERINE KEATING  
STEPHEN LANZO  
DARREN SMITH  
CHRISTINA KIM  
JOHN DIPALO

**EXCUSED:**

TRUSTEE ROWENA AKANA  
TRUSTEE PETER APO

**BOT STAFF:**

DAYNA PA  
REYNOLD FREITAS  
LOUISE YEE HOY  
CAPSUN POE  
LADY GARRETT  
MELISSA WENNIHAN  
LAURENE KALUAU-KEALOHA  
DAVIS PRICE  
HAROLD NEDD  
U‘ILANI TANIGAWA  
CLAUDINE CALPITO  
LIANA PANG  
LEHUA ITOKAZU  
KAUIKEALOLANI WAILEHUA

**I. CALL TO ORDER**

**Chair Colette Machado** – Called to order the meeting of the Committee on Resource Management for Wednesday, October 7, 2015 at 10:05 a.m. For the record, there are two (2) excused absences, from Trustee Rowena Akana and Trustee Peter Apo, and five (5) Trustees present are Apoliona, Hulu Lindsey, Robert Lindsey, Waihe‘e and Machado, constituting a quorum of five (5) Trustees.

Trustee	Present	Excused	Comments
TRUSTEE LEI AHU ISA			10:11 a.m. arrival
TRUSTEE DAN AHUNA			10:42 a.m. arrival
TRUSTEE ROWENA AKANA		X	
TRUSTEE PETER APO		X	
TRUSTEE HAUNANI APOLIONA	X		
TRUSTEE HULU LINDSEY	X		
TRUSTEE ROBERT LINDSEY	X		
TRUSTEE JOHN WAIHE'E	X		
CHAIR COLETTE MACHADO	X		
<b>TOTAL</b>	<b>5</b>	<b>2</b>	
At the Call to Order, there are Five (5) Trustees that are Present.			

**Chair Machado** – Today we will be approving the Land and Property Committee Minutes and also the Asset and Resource Management Committee Minutes. Thanks to Trustee Hulu Lindsey who served as the Land and Property Committee and her staff Lehua Itokazu, U'ilani Tanigawa and Kathy Owara-Takeo who is now no longer with OHA but working for the University of Hawai'i at Maui, for their work and their diligence as the Land Management Committee, and to thank them for their service.

Also thanks to the former Chair of the Asset Resource Management Committee, Trustee Rowena Akana, her staff Beth-Ann Ahsing and Nathan Takeuchi, for their work on the Asset Resource Management Committee. Looking forward to working with both of them in their role as Trustees to this committee and for their advice on things we will be engaged with.

**Hawley Iona** - Introduced OHA's new Investment Manager Ray Matsuura.

**Ray Matsuura** - I was formally with Bank of Hawai'i and before that American Savings Bank. I've been here on the islands about four years now, before that I was with a firm called Tattersall Advisory Group, we're institutional money managers, my relationship here in the island was through them. We formally managed money way back with Finance Factors, HERRS, and James Campbell Estate. I have a very good background with the local community as well as with investment businesses. I look forward to working with the Trustees and with OHA and developing as much value as I can from the portfolio.

**Hawley Iona** - Introduced Dylan Zheng, our Senior Investment Analyst, who has been critical in the transition from David to Ray, and Karlen Oneha who is the Administrative Assistant.

## II. APPROVAL OF MINUTES

**Chair Machado** – I would like to see if we could do the ARM committee minutes from May 27<sup>th</sup> thru

July 16<sup>th</sup> in one motion and then followed by the Committee on Land and Property in one motion for June 25<sup>th</sup> through July 9<sup>th</sup> meeting. Then another committee approval for the Joint Committee for March 25, 2015.

**Trustee Apoliona** – Madam Chair.

**Chair Machado** – Trustee Apoliona. Ms. Vice-Chair.

**A. ASSET AND RESOURCE MANAGEMENT**

- 1. May 27, 2015**
- 2. July 8, 2015**
- 3. July 16, 2015**

**Trustee Apoliona** – Moved for approval on the Committee of Assets and Resource Management meeting of May 27, 2015, July 8, 2015, and July 16, 2015 as presented.

**Trustee Robert Lindsey** – Seconded the motion.

**Chair Machado** – Asked for discussion on the minutes for May 27, 2015, July 8, 2015, and July 16, 2015. Hearing none, called for a roll call vote to approve the meeting minutes of May 27, 2015, July 8, 2015, and July 16, 2015. All were in favor and none opposed. The meeting minutes of May 27, 2015, July 8, 2015, and July 16, 2015 were approved.

<b>Trustee Apoliona</b> - Moved to approve the minutes of May 27, 2015, July 8, 2015 and July 16, 2015							
<b>Trustee Robert Lindsey</b> - Seconded the motion.							
TRUSTEE		1	2	'AE (YES)	A'OLE (NO)	KANALUA/ ABSTAIN	EXCUSED
TRUSTEE LEI	AHU-ISA						
TRUSTEE DAN	AHUNA						
TRUSTEE ROWENA	AKANA						Excused
TRUSTEE PETER	APO						Excused
TRUSTEE HAUNANI	APOLIONA	X		X			
TRUSTEE HULU	LINDSEY			X			
TRUSTEE ROBERT	LINDSEY		X	X			
TRUSTEE JOHN	WAIHE'E			X			
CHAIR COLETTE	MACHADO			X			
<b>TOTAL VOTE COUNT</b>				5			
MOTION: <input checked="" type="checkbox"/> UNANIMOUS <input type="checkbox"/> PASSED <input type="checkbox"/> DEFERRED <input type="checkbox"/> FAILED							

Motion passed with five (5) YES votes and two (2) EXCUSED votes.

**B. COMMITTEE ON LAND AND PROPERTY**

1. June 25, 2015
2. July 9, 2015

**Chair Machado** – Moved on to Motion II.B., Committee on Land and Property and called upon Trustee Hulu Lindsey to make a motion to approve the meeting minutes of June 25, 2015, July 9, 2015.

**Trustee Hulu Lindsey** – Moved to approve the meeting minutes for Committee on Land and Property for June 25, 2015 and July 9, 2015.

**Trustee Apoliona** – Seconded the motion.

**Chair Machado** – Asked for discussion on the minutes. Hearing none, called for a roll call vote to approve the meeting minutes of June 25, 2015 and July 9, 2015. All were in favor and none opposed. The meeting minutes of June 25, 2015, July 9 and 2015 were approved.

<b>Trustee Hulu Lindsey</b> - Moved to approve the minutes of June 25, 2015, and July 9, 2015						
<b>Trustee Haunani Apoliona</b> - Seconded the motion.						
TRUSTEE	1	2	‘AE (YES)	A’OLE (NO)	KANALUA/ ABSTAIN	EXCUSED
TRUSTEE LEI AHU-ISA						
TRUSTEE DAN AHUNA						
TRUSTEE ROWENA AKANA						Excused
TRUSTEE PETER APO						Excused
TRUSTEE HAUNANI APOLIONA		X	X			
TRUSTEE HULU LINDSEY	X		X			
TRUSTEE ROBERT LINDSEY			X			
TRUSTEE JOHN WAIHE’E			X			
CHAIR COLETTE MACHADO			X			
<b>TOTAL VOTE COUNT</b>			5			
MOTION: <input checked="" type="checkbox"/> UNANIMOUS <input type="checkbox"/> PASSED <input type="checkbox"/> DEFERRED <input type="checkbox"/> FAILED						
<b>Motion passed with five (5) YES votes and two (2) EXCUSED votes.</b>						

**C. JOINT MEETING OF THE COMMITTEE ON LAND AND PROPERTY AND THE COMMITTEE ON ASSET AND RESOURCE MANAGEMENT**

**1. March 25, 2015**

**Chair Machado** – Called upon Trustee Hulu Lindsey for the third motion, a motion to approve the meeting minutes of March 25, 2015 for the Joint Committee on Land and Property and the Committee on Asset and Resource Management.

**Trustee Hulu Lindsey** – So moved to approve the meeting minutes of March 25, 2015.

**Trustee Apoliona** – Seconded the motion.

**Chair Machado** – It’s been moved and seconded. Asked for, discussion on the minutes. Hearing none, called for a roll call vote to approve the meeting minutes of March 25 2015. All were in favor and none opposed. The meeting minutes of March 25, 2015 were approved.

<b>Trustee Hulu Lindsey</b> - Moved to approve the minutes of March 25, 2015.						
<b>Trustee Haunani Apoliona</b> - Seconded the motion.						
TRUSTEE	1	2	‘AE (YES)	A’OLE (NO)	KANALUA/ ABSTAIN	EXCUSED
TRUSTEE LEI            AHU-ISA						
TRUSTEE DAN            AHUNA						
TRUSTEE ROWENA        AKANA						Excused
TRUSTEE PETER            APO						Excused
TRUSTEE HAUNANI        APOLIONA		X	X			
TRUSTEE HULU            LINDSEY	X		X			
TRUSTEE ROBERT         LINDSEY		X	X			
TRUSTEE JOHN            WAIHE’E			X			
CHAIR COLETTE            MACHADO			X			
<b>TOTAL VOTE COUNT</b>			5			
MOTION: <input checked="" type="checkbox"/> UNANIMOUS <input type="checkbox"/> PASSED <input type="checkbox"/> DEFERRED <input type="checkbox"/> FAILED						
<b>Motion passed with five (5) YES votes and two (2) EXCUSED votes.</b>						

### III. COMMUNITY CONCERNS

None.

### IV. NEW BUSINESS

**Chair Machado** – Turned this portion over to Kamana’opono Crabbe, CEO.

**Ka Pouhana Crabbe** – Good Morning Chair Machado and Trustees. Today, we have our Native Hawaiian Trust Fund (NHTF) 2<sup>nd</sup> Quarter performance review for 2015. We would like to take out of the order beginning with Goldman Sachs with their Economic and Market Outlook and then go into the regular reports by JP and Goldman and then Commonfund. So, if we may begin, Chair and Trustees with Goldman Sachs, I’d like to call upon John DiPalo and Christina Kim who will present the economic and market outlook and then the others will report on their quarterly performance.

**Chair Machado** – Just as a point of reference, when we get to the Commonfund, I will take a brief recess so that we can make a call to Connecticut.

#### IV. B. Second Quarter 2015 Performance Review with Goldman Sachs

**John DiPalo** - I’m the client relationship manager for the OHA/Goldman Sachs relationship. I have here my colleague Christina Kim who is part of our Global portfolio solutions team. We will provide an economic and market outlook for the 2<sup>nd</sup> and 3<sup>rd</sup> quarters.

*(For details, refer to material distributed: State Street Investment Analytics – Office of Hawaiian Affairs Board Report Second Quarter 2015 Meeting Dates: October 7, 2015 and October 21, 2015)*

**Christina Kim** – We wanted to provide some commentary on the markets through the 2<sup>nd</sup> quarter, since this performance update is focused on the 2<sup>nd</sup> quarter, but as well, touch on developments since then.

Page 1. Coming into the year 2015 we had three themes for the economy and the markets, the first was the Concept of Accelerating Globally Economic Growth, the second was Persistent Low Inflation across much of the world, and the third was Policy Divergence between the U.S. and the rest of the world.

Page 3. The upper left quadrant is just to show it illustrates the major global equity market performance year to date through June. To summarize, stocks were priced for perfection and we had not had any sort of drawdowns for what would have been historically a very long period of time. So with that is context of market volatility, was very low heading into the month of August.

Page 4. Focus on the upper left, this is our GDP growth forecast by region. What this is illustrating is for the U.S. For example, the last three years GDP grew about 2%, we were expecting 2.3%, the UK grew about 1.8% over the last three years, we were expecting 2.7% for 2015. On the upper right column that is just our inflation forecast, which is just showing that for the first half of the year realized inflation has come in below expectations for the full year with the exception of the emerging markets.

Page 5. In terms of inflation, despite the headline noise in inflation and hearing that deflation is hitting us, energy prices have been extremely volatile this year. Core inflation has been fairly stable. The left hand side of the chart, core inflation has been more stable than in headline inflation which includes the volatile energy price.

So, what does this all mean, the data is lining up for a rate hike in the U.S., whether it be stabilization in the dollar and continued strength in the dollar which is what we expect, stabilization in oil prices, although within a range of \$45 to \$60 or so. We have seen stabilization relative to the steep declines of last year and a broadly improving labor market in the U.S. We think all of the signs still point to the Feds raising rates, whether it's the end of this year or early next year,

Some of the risks to our economic outlook, as of June, we would have highlighted Greece. Greece was clearly in and out of the news quite a bit in June. Everyone knew that Greece was a very small economy with limited direct impact on the world economy. People were worried about the contingent affects if Greece actually defaults and potentially leaves the Euro, will that contingent spread to other peripheral countries that are in similar situations. However, Greece tried to use that to its bargaining power, but I think the market called its bluff and it didn't turn out to be the big game changer that was feared.

Page 30. China has become one of the greatest risks to the global economy since June. The Chinese economy has clearly started to slow considerably, it's the area we're most concerned about from a Global growth perspective. But right now, we don't expect this to be a hard landing. So, heading back a few years, the Central Government spending helped to pop up that country's growth post crisis which created a significant debt situation.

Just to illustrate, China's total debt as a percentage of their GDP is 155% compared to Europe's debt percentage of 120%. So, the Chinese economy has been slowing steadily reaching a low of 7% growth in the 1st quarter of this year, which is a six year low. At the same time the stock markets, particularly the Shanghai composite had been going up steadily, it was up 150% little over a year as of June. We saw it decoupling between what the stock market was doing and what the underlying economic numbers were showing. Obviously, when you see this type of decoupling, it's not really a sustainable situation. Starting in June we saw the volatility, but accelerating into August we seen significant volatility down 8% for the Shanghai composite, which the fears of Global contingency spread at that time for other Global economies just given the size of China's economy. However, we don't think there is rebalancing that's going on in China, between the industrial lead growth of the last several years and to a consumer lead growth which is the intention. True that industrial investment and infrastructure spending are down a lot, so those parts of the economy are holding up reasonably well. The other positive for China is that the government has shown a commitment to maintaining a certain level of growth, so every time you see the markets falling precipitously, you see government action; whether they lower rates, lower reserve requirements. The Chinese government is committed to maintaining growth at roughly a 6% - 7% level or doing everything within their control to do so.

**Chair Machado** – Excuse me, Trustee Ahu-Isa has a question for you.

**Trustee Ahu-Isa** – I was watching the market this morning, it is back up to \$17,000 again, it's really volatile. I think last week the SMP was down almost 2% and that's kind of scary. My question is what's happening in front of Congress? One is "lifting the ban on oil exports", how is that going to affect

because America right now, we have lower gas prices. But if that is gone and we start exporting, I'm sure the prices will go up. The other thing is the "Trade Agreement". Can you talk about that?

**Ka Pouhana Crabbe** – That's the recent one that Obama and the Pacific Rim Nations are reviewing.

**Trustee Ahu-Isa** – I don't think China is part of this.

**Christina Kim** - Our view on oil is that, obviously, we have had an oversupply situation driven by the technological development in Shale and North America, and meanwhile, Saudi Arabia has committed to maintaining their output at current levels, so we do have this oversupply situation which is likely at large, if not larger and like a driver in demand situation, cause, clearly the consumption demand in China has slowed and with the yen. Our view, particularly, as you mentioned the situation exasperates, we will see somewhat a prolong period of oversupply, so we don't think the normalization in oil or the rebound in oil is going to happen sort of in the near term, we do expect there to be a prolong period \$45 - \$60 oil.

**Trustee Ahu-Isa** – Would it affect inflation?

**Christina Kim** – If oil demand continues to. Yeah, I think, given where oil prices are we don't expect inflation to be sort of a near term risk, if anything, the low oil prices in our mind will be helpful to consumer GDP over the long run. Although we have not seen that in consumer spending, but if anything, we think persistently low oil prices continues to be a deflationary force.

**Trustee Ahu-Isa** - That's really strange, because as a consumer, you want the prices to be low, you want cheaper gas and as an investor you want the prices to go up. I'm thinking what, it's going to affect our bottom line, pumping gas. We're just in this really weird; economists always talk about this like we're in a frontier, we have never been in a situation like this before.

**John DiPalo** – I would say to your point that yes, part of the investing side with companies, yes, higher oil prices would benefit them but then also you have consumer spending. So right, if people are saving at the pump they will be spending it elsewhere. It will be good for corporate investing.

**Ka Pouhana Crabbe** – We've come under the recent President Obama's signing of the new Pacific Rim Trade Agreement and the impact it will have on our economy.

**John DiPalo** – I don't have a view on that.

**Christina Kim** – We could certainly follow up with you; I don't have a strong view on that as yet. I guess another risk or another driver of market volatility is this Fed rate hike, which everyone is watching for, closely. The left side of the chart just shows that the SMP is actually trading fairly well in positive territory into the first rate hike, so we would not necessarily expect this to be a negative absolute for equities. Fixed income is a bit of a different story, it tends to be slow just prior to and just after the first hike and just as you would expect, although returns have generally been positive a little bit longer, out say two plus years out, but just to put this into context, historically the time between the Fed tightening and the SMP 500 peak, has been an average of about eighteen months. We can't necessarily draw the conclusion that the start of the Fed rate hike cycle will be very negative for the portfolio immediately, but certainly it is causing a lot of volatility in the markets as you noted. In addition, in the past, historical market peaks were consistently preceded with

tight labor markets and higher bond fields. We don't really have the same circumstance this time around. It's hard to draw the inference based on history completely, but in addition, we do expect the Fed to hike, our view, I think it's like 50/50 for December, but possibly the risks will be higher in 2016.

**Chair Machado** – Do we have a projection on what the hike might be or what percentage?

**Christina Kim** - I thought the initial hike would be very minimal, 25 bps at the most. I think historically the markets have tended to underestimate the pace of the rate hikes. A chart in here which shows that, the Feds have communicated that it will be a very gradual hiking cycle, but I think internally, we believe, once the hikes start, that the pace could be faster than the market is currently anticipating.

**Chair Machado** – On page 30, you blocked in the difference between a soft landing and what they call a hard landing. With the Federal hike anticipated, would this provide us with a softer landing, or be in the middle part and anticipating a hard landing.

**Christina Kim** - Page 30 in particular is referring to our expectations for the Chinese economy, as far as the U.S. economy, we think the 25 bps rates are too low and a 25 bps will not create a hard landing or a significantly negative situation in the U.S.

**Chair Machado** – Because our judgment of you, as a performance, is when we go back in the next part of your presentation to see if you met the quarterly goals. That'll tell the story as to where we are with all of you here today, on our 3rd quarter update.

**Christina Kim** - Our outlook on the U.S. is that it continues to recover strength on the back of the U.S. domestic consumer. Housing consumer remain robust, a market volatility aside, if you look at the underlying state of the U.S. economy and corporate earnings. We think the fundamental backdrop remains healthy. We did see somewhat of a slowdown in Q1 & Q2 earnings by companies, but, we think this was largely driven by currency and the strength of the dollar which translated back, did impact corporate earnings and the underlying fundamentals did remain strong. The labor market continues to grow fairly consistently if only modestly, and wages are starting to take up a little bit, although, this data can be fairly noisy month to month.

Europe just gave their evaluations and markets have gone up significantly and stocks looked expensive, however, with the recent sell off of the last couple of months we have become more positive on Europe again. Earnings in Europe are much lower than they were pre-crisis, and corporate margins remain lower, so there is a lot of room for them to still increase and for earnings to accelerate, versus the U.S. where corporate profit margins are pretty much at their highs at the pre-crisis levels.

European stocks currently trade at a cheaper level than U.S. stocks. Left side of chart shows that loan growth in Europe is trending in a positive direction, which is good for the economy. And on the right, the fiscal drag in Europe from countries implementing austerity, that impact is a lot lower today than it was back in the peak of 2012. Just in terms of the outlook with our emerging markets, I think we are more and more measured, although evaluations have become a lot cheaper as emerging markets have got hit considerably, earnings have also downgraded just as quickly in many cases. China has been impacted, there is going to be effects for the emerging markets from the Chinese economic slowdown.

Page 13. We call our dots page, which is an overview; our relative views of each asset class; positive on the developed markets, notably U.S., Europe, and Japan, both from a fundamental and now more of an evaluation perspective. We are more negative on U.S. government bonds and we're neutral across on most other categories.

**Chair Machado** – Trustees any questions. How about you Ray Matsuura?

**Ray Matsuura** – Just one question about the re-risking Long Indian Equities in the emerging markets.

**Christina Kim** – Even with the emerging markets, I think there are countries like India, where we have a more favorable view, versus our broader sort of sector view, and where we have a view like that we would express it in our tactical fund.

**Chair Machado** – Trustee Lei Ahu-Isa.

**Trustee Ahu-Isa** – Just a comment when I was at the University of Hawai'i, a lot of my students didn't want to buy stocks. We kind of divested ourselves because of the philosophical view on human rights and how they were treating people. I don't know if we should get into that, but it was something I thought of when you talked about India, because I just heard on the news of what was going on over there.

**Christina Kim** – That is an interesting point. Goldman just made an acquisition of a firm that does social impact investing. That's a topic that we are starting to hear a lot more about from endowments foundations broadly interested in implementing, sort of, their social views in the investment portfolio.

**John DiPalo** – We could look to doing a deep dive in, as we bring on board that new capital in San Francisco and bring them on board. We can talk a little bit more about that.

**Ka Pouhana Crabbe** – Thank you John and Christina. Next, Trustees, will be JP Morgan. I'd like to call on Darren Smith and Zach Page.

#### **IV. A. Second Quarter 2015 Performance Review JP Morgan**

**Darren Smith** – Page 30, year-to-date of the OHA portfolio that we manage is up 2.69% and that is 92 basis points ahead of the investment policy benchmark. For the quarter we were down .25%, and that was 48 basis point ahead of the policy benchmark, as well, so it did a little bit of protecting there, against the benchmark. One year basis the portfolio was up 1.67% and that's 143 basis points ahead of the policy benchmark. When we look at the different asset class, the three main areas of asset class, the first would be Global Equities and we were up 1.39% which was 85 basis points ahead of the benchmark. Global Credit was down 2.46% which lagged benchmark by about 43 basis points and at Global Real Assets we were down about 7.25% which again lagged the benchmark by 34 basis points. When we take a deeper look into, for instance Global Equities, there were a few areas that did well for us. First, was International and Developed Equity and primarily it was driven by performance in both our International Opportunity Fund as well as the International Equity Fund. Secondly, our Multi Cap Equity, something that has done well for us over the last several quarters, continues to contribute overall performance. In the third section are portfolio changes; we're happy to report there were no portfolio manager turnovers during this particular quarter for the OHA portfolio.

**Zach Page** – I will report on the returns for the portfolio and then give a brief overview of our forward looking outlook. In turning to page 32, beginning quarter assets, the portfolio value was \$113 million. You can see that we marginal growth about a \$52K. There were withdrawals of \$5.6M giving you an ending market value, after fees, of a \$108.4M.

Page 33. The growth of the assets as of June 30, 2015. There are three periods on this page: since inception, inception to date, and quarter to date. The red withdrawals are expensive, you can see that the total portfolio value, if you were to include those withdrawals, would be at about \$150M. So it has been a strong market of return since inception. That is something to keep in mind. As we look out over the next three years, we don't expect to see the same double digit returns that we have had over the past three or four years.

Page 35. Here, you can see graphed in three bars, the blue bars are the JPM Gross Return over a multiple different market periods. On the left hand side we have the last three months, on the right hand side, we have since inception, the blue bars I said was the JPM Gross of fee returns, the red bars are the JPM Net fee returns, and the green bars are OHA Traditional Assets Benchmark, just to clarify the JPM Gross and Net fees are actually the same number as the funds in which we invest. Since inception, the portfolio has returned 8.6% versus the OHA traditional asset benchmark at 7.3%, we think that these are very strong returns, both on an absolute basis, given on a CPI plus objective of the OHA portfolio also versus the OHA traditional asset benchmark, more recently the portfolio has struggled, that we outperformed during the last three months ending in September.

Page 36. We have the performance summary report, at the top of the page. Within the portfolio, there are a couple of strategies that I do want to highlight. Just to touch on the underperformers, you can see an emerging market equities, institutional class, had a negative return for the quarter of -2.70. This is a value oriented equity managers think they can buy at a reasonable price, but are higher quality price companies. They've struggled, in particular, over the period of four quarters coming into June, where they have avoided a lot of Chinese financials, a lot of Chinese state owned enterprises. They had had a huge run up in the 150% gain that Goldman Sachs had referenced, this benefited this manager during the third quarter. Staying away from those high volatility stocks helped them when the market sold off in the third quarter. We believe in this manager, they've stuck to the process that we bought them for and it has paid off in the third quarter, but I did want to highlight them given that they underperformed during the quarter.

On a positive side, I just want to highlight the JPM Growth Advantage fund. This is a multi-cap manager, where he is investing both large, mid cap, and small cap stocks He's added tremendous value over the trailing two years to his security selection; his security selection in technology has been particularly strong on the credit side; you can see a couple of underperformers. As Darren highlighted the JPM Corporate Bond Fund, we have actually been keeping a little closer eye on the Emerging Market debt, which does have an attractive spread which is the yield you can earn over treasuries. Right now, we think it is attractive to hold, we are neutral emerging market debt. However, we do see some risk going in to a Fed rate hike cycle, where the stronger dollar could make it more difficult for the emerging market economy to finance their debt. So that is something we will be keeping an eye on.

Before I close out, I do want to touch on a forward outlook and how we have positioned our portfolio for that. We're all aware of the volatility that we saw in August; we think that there is information to be

extracted from the market there, but it is not a binary risk. If you watch CNBC or a lot of market commentators, either there is nothing to worry about, and emerging markets are buying opportunity. Others will reference fear of contagion and the slowdown that we're seeing in China affecting Europe, U.S. and the developed market broadly.

We think that China has been going through a slowdown and there is something that the markets are selling off for a good reason, that slowdown is nothing new. Goldman Sachs showed a chart of the decline in GDP growth in China, and it has been coming down now for the last past four years. So they discussed that disconnect between the slowdown in growth in China and the run up in equity markets, so we think that this was an appropriately measured correction within the Chinese equity markets that said a lot of emerging markets, some developed markets, do rely on China to help stimulate their economies.

**Ray Matsuura** – It looks like the emerging markets for the last three years have really put a drag on the portfolio performance. You're neutral now, but how long do we have to wait? Do you think before the emerging markets, especially the face of rising and domestic rates, I think that would put more pressure on emerging markets.

**Zach Page** – We don't think that emerging markets are going to be a position portfolio that is going to be generating the outside returns that you saw in the late 90s and the early 2000's in those economies. The reason why they call this emerging markets, and I think that just before they closed that, Goldman Sachs was making an important point that emerging markets are not a mono ethnic asset class, not every economy within the emerging market is the same. But what is the unifying characteristic is that the term describes their economies are growing at a faster rate. Because of population growth and technology transfer that is coming to their economies, they should be able to generate a higher growth rates and their earnings that we as investors would like passed through to us. If those earnings are not growing at rates that are higher than the U.S. or other developed markets, it is not necessarily worth taking the risk of investing in emerging markets when you can get that similar growth rate in your underlying economic activity and in earnings in the U.S. with more certainty of those earnings being passed as shareholders. If they were to get a little bit cheaper we do think that there would be an opportunity to buy them and you can get a return on an improvement evaluation. But I think we would like to see a further capitulation of the emerging market equity markets for a further run down before we think they are appropriately valued to buy.

**Chair Machado** – Just another comment to China, when do you think we would be ever going back, when will the water be safe to go back to China if at all?

**Zach Page** - I want to be careful. I would not condemn China or say that it's something to stay away from. China is neither all good nor all bad. I think that it is a headliner right now and growth has been slowing down and the volatility in equitably markets globally and particularly in the Chinese equity markets, has put a microscope on China right now. However, this has been a trend for the past four years where GDP growth has been slowing down. And so there was that disconnect between the equity market evaluations and the amount of unknowing economic activity that was occurring within China. It's still growing at a 6% rate, so it's still a major driver of economic activity within the globe. We would never say stay away; it's just more that the trend is not in favor of equity owners within China.

**Chair Machado** – Trustee Lei Ahu-Isa.

**Trustee Ahu-Isa** – Interesting that the Chinese President Xi Jinping met with President Obama and he agreed to control the pollution, you know the environmental global warming. I guess you folks follow that to, where the countries agree. Can you explain to the Trustees how that works, where they agree to limit the production and the pollution and then if they go over the amount, they take that as a credit and then they debit, you know they adjust their production according to how much pollution their factories or whatever there manufactures generate. Yes, so they have this debit credit thing. Before, they don't care they just keep doing this pollution. So, because of that, the prediction is they might have a lower GDP because their production might come down, if they're not lying and adhering to disagreement.

**Zach Page** – And you asked about the transpacific partnership earlier and I think all of these general global regulatory events do impact growth and I think it probably will be a head win. I'm not sure exactly what the specific terms of any kind of cap and trade agreement that the U.S. and the Chinese have come to. But, it is trying to level the playing field between U.S. producers and Chinese producers and making sure that Chinese producers are being held to the same regulatory standards or at least more closely aligned in the regulatory standards that they are operating to. So, if anything, that may slow down Chinese production, but it could be a benefit to U.S. producers who will then be more on a level playing field in there in per cost to produce their goods and services. Similarly for the transpacific partnership, it will have a similar effect and it will be a tailwind for U.S. producers and that we now are operating with similar labor market conditions, similar tax and in terms of import/export policy with our partners within the Asia ex China region. So it should be a boon for the U.S. GDP growth. One counter balance to that will be a stronger US dollar which will make it more expensive for those trading partners to buy our goods, but I do think the regulatory changes should be a benefit to the U.S. economy.

**Trustee Ahu-Isa** – The dollar is really strong right now, so it's hurting the trade deficit. China, what happens when they keep fooling around with their yuan.

**Zach Page** – That is a genuine conundrum, frankly because they have a twofold objective, you actually never know exactly what their objectives are, they are not the most transparent authorities. That said, we do believe that they've got a twofold objective. One is, helping instill credibility in their currency as a potential alternative to the U.S. dollar as a reserve currency so currency will be able to facilitate global trade. With that said, they are also trying to control the level of their currency to help stimulate their own economy. Sometimes devaluing their currency in order to stimulate their own economy can be in opposition of trying to show that they're going to allow their currency to have a market based evaluation. So, I generally believe that they are trying to. They want to make sure there is price transparency in the level of the yuan so it be a competitor to the euro, to the U.S. But along with the euro, as a worlds reserve currency, they are also struggling with trying to control the volt, stimulate growth and control volatility in there equity markets.

**Trustee Ahu-Isa** – Thank you Chair. I just thought it was related to your question about the value.

**Trustee Machado** – You know the issue the Emerging Markets, is there anticipation that India will be one of the areas of growth and that we may want to anticipate involvement.

**Zach Page** – Yeah, the Indian economy, from a price perspective and also from GDP perspective, is one of the stronger performing cross emerging markets. I mentioned they are not all monolithic, not all the same the areas that we do think that there is opportunity for investment with Emerging Markets, within India and within the Eastern European block. So, countries that are former Soviet satellites, there has been a pickup in

manufacturing activity there, so there are opportunities for investments for those regions. Commodity producers in Latin America, a lot of the Asian Emerging Market economies, they are connected to Chinese growth, because there is probably going to be a slowdown and will be harder to find opportunities for returns there.

**Trustee Machado** – Any other questions. Kamana’opono.

**Ka Pouhana Crabbe** – Yes, I wanted to get back to Ray’s question in terms of the Emerging Markets and then when I look its inception to date, on the global credit line and then the Emerging Markets, that negative -9.02 in terms of that fund manager, maybe it’ll help the Trustees and us understand is, when do you folks evaluate where it’s a you know a serious situation, where you have to intervene, maybe what criteria. I understand what you meant in terms of the forecast, but I think it just would help us to how you oversee the managers and when you step in.

**Zach Page** – Happy to touch on that. We have the OHA investment policy guidelines that have a broad strategic asset allocation that we think that over the long term, from multiple market cycles, will help the overall return objective of CPI Plus Five, META fees. With that we’re trying to populate that with different asset classes that we think will provide further diversification and then select managers that we think will add incremental value above their general markets where they’re investing, so they will do security selection. We also tactically trade the manage risk in the portfolio. We do believe that strategically emerging markets are markets that you want to be exposed to so you want to have an emerging market equity within the portfolio and emerging market debt. Now to your question, how do we evaluate those managers and what are we looking for? We want to make sure the managers have an established process that is proven over time, so here we highlight the emerging markets, this is a local currency membership they’re investing in emerging market debt that is denominated in emerging markets local currency. So, the negative -9% is an outlay versus these other asset classes there with what we would say to ourselves, what is happening in that market. Is it understandable, so emerging market local currency, while the debts may be solid, the emerging market currencies had a dramatic disparity as between the U.S. dollar has run up, so the appreciation of the U.S. dollar is relative to other currencies. The largest run up has been verses emerging market currencies. So this debt is denominated in local currency from a translated back into U.S. dollar, that’s why you’ll see the significant underperformance. What we will then look to is both the benchmark, how they underperform their benchmark, and I think they’re actually in line with their benchmark since the overall market has gone down, but then also how would we expect them to perform versus that benchmark in that environment. Finally, we would look at them versus peer group I mean are they massively underperforming versus their peers. Emerging market debt is a difficult area. Actually to beat the benchmark, it’s a less liquid asset class. We do hire managers that want to earn their fees, but if they are underperforming their benchmark, we want to see our other managers dramatically outperforming their benchmark.

**Ray Matsuura** – Is it mostly a currency? What other currency risk, do we have in the portfolio?

**Zach Page** - We don’t hedge any currency risks, so any emerging market and international manager will have that currency exposure.

**Ray Matsuura** – Okay.

**Ka Pouhana Crabbe** – Anymore questions Trustees?

**Zach Page** – Maybe I'll just turn our attention really quickly to our three investments that are outside of the traditional portfolio. The will help to give the answer to your question on India. It is the Asian Infrastructure Related Resources Opportunities Fund II. It is one of the longest fund names we probably have. We actually just called Capital, some of your capital you've committed to up to \$5M for the strategy, we called just under \$1M during the 2<sup>nd</sup> Qtr. and we made one investment so far across the portfolio and that's in diligent power which is a thermal Power Generation Company and it is in India and we will have a full quarters worth of performance that we will be able to touch on for that particular strategy in the next quarter. So I am looking forward to doing that with you. And then the two other strategies in which you all have invested is within HiBridge Principal Strategies, and the first one is Mezzanine Two and the second one is the Specialty Loan Fund Three.

On a three month basis, both of those are trailing their benchmarks slightly, but I'm happy to report that on a year to date, based that the Mezzanine Two Fund out furthered the benchmark of 743 bps and the Specialty Loans Fund Three is outperforming the benchmark on a one year basis by 124 bps, both of those strategies are doing very well for the long term. Those are the three additional non-traditional investments that you have with us.

**Ka Pouhana Crabbe** – Thank you very much Darren and Zach, appreciate it. We would like to call John and Christina back to the table.

**John DiPalo** – I will go over the Executive Summary and Christina will go more in detail on the portfolio than come back with to present the non-traditional. One quick update with regards to GSAM, I mentioned earlier that we recently acquired an ESG firm in per capital. We will be closing that towards the end of the year; we also made another acquisition earlier this year which we just closed on towards the end of September. Pacific Global Advisors which is \$18B subsidiary from Pacific Light Insurance Company that we acquired where they have a full outsourcing sweep of clients as well as very customized investor solutions, business focused on asset liability, asset allocation, tactical views as well, we just closed on September 21<sup>st</sup> with those.

**Christina Kim** – Page 57 is our Net and Fee Performance. The Traditional Assets Portfolio performed broadly in line with the policy benchmark the 70/20/10 benchmark, as far as equities the Global Equities Asset Class, we were slightly ahead of the benchmark for the quarter and about 20 bps ahead year to date through the first half.

Digging into some of the drivers of that performance on both the contribution side as well as the detractor side, we just wanted to highlight the quarter on the positive side, we had good performance out of the GMS Dynamic Equity managers which, in the OHA portfolio with Goldman, we are invested in almost all external managers, so non GSAM funds with the exception of the tactical exposures fund which is TEX. The GMS Dynamic Equity managers are a portfolio of four underlying U.S. managers which are paired together to provide a diverse set of exposures across styles and market caps and they had a strong year to date and strong quarter performance driven by stocks selection and a significant overweight to consumer. We also had strong performances from Mainstay Epoch International Fund and International Small Cap.

**Ray Matsuura** - Does that have currency Hedge portfolio?

**Christina Kim** – No, that manager does not hedge.

**John DiPalo** – So looking just below with the non-marketable equity in credits, here where we have a large basket of private equity investments, so this kind of runs off of what we saw in the market value change page when you see large withdrawals and additions. In addition to OHA's rebalancing and client directed withdrawals and contributions into the portfolio, these private equities are also calling capital from you folks or distributing capital, that is why the bigger drivers are around the withdrawals and contributions, so you'll see they range from 2008 investing periods to more current in 2012 and 2013. If you look at the GS Pep 2004 which was invested in late 2004, there's a \$9.9M dollar commitment by OHA into this fund which has already given back a distribution of \$11.8M and still has remaining market value of \$3.9M. As the underlying companies that the private equity managers have invested in, as they start to mature and they sell out of those, there gaining back that capital, so there's still a number of underlying investments that the private equity manager is holding on to and will deem appropriate and will exit those and the capital will continue to come back, so a good story there where \$9.9M has already been provided back \$11.8M. Very similar for PEP 2004, again this is a 2008 investment that is a \$2M commitment it has already distributed \$3.3M with an ending market value with over just \$1M. If you look a little further down in Vintage V \$4.5M committed there and that is already distributed \$3.5M with over \$2M left in market value and then the PEM Growth in the emerging markets \$2.5M that is relatively new investment that has an ending market value of \$1M so, only \$1M has been called out of that \$2.5M from you folks, so probably little over another \$1.5M will be called and be put into work.

**Ray Matsuura** – Can you discuss that a little bit further, because it looks like it's down 23.56 since inception.

**John DiPalo** - The investments are very new, so I'm not sure how State Street is valuing that. I don't have the IRRs in front of me. It probably is about two years that they have been calling capital to invest so some of those new relatively new investments, nothing has been really happening around those. We can kind of say, we've come in, they've done what they are looking to do with those companies as they build them up and then to exit out of them.

**Ray Matsuura** – its emerging markets so I guess that's a big factor of the two. The GSHFP Two (inaudible).

**John DiPalo** – That's a terminated investment, so there is just some side pocket money that as appropriate time it's slowly distributing the remainder of that. The last thing I wanted to turn to, which I don't think we touched upon is where the Asset Classes are with allocations, to how they're in line with the policy targets COC Global Equity actual weight is 72.6% target 70%, Global Credit 17.9% targets 20.0%, and Real Assets 9.5% target is 10.0%, so very much in line with the OHA policy targets.

**Ka Pouhana Crabbe** - Trustees any questions or comments. Okay, thank you very much Christina and John. So, at this time we can take a break so that we can do the call in.

**Chair Machado** – I'd like to take the opportunity to resolve ourselves into a recess. **Recess called at 11:22 a.m.**

**Chair Machado** – I'd like to reconvene the committee of Resource Management to order. **Reconvene at 11:30 a.m.**

**Ka Pouhana Crabbe** - Introduced Commonfund and welcomed Catherine Keating, CEO, Stephen Lanzo, and on the call we have Tom Snayd and Dana Moreau.

**C. Second Quarter 2015 Performance Review with Commonfund**

**Stephen Lanzo** –Introduced new President and CEO Catherine Keating.

**Catherine Keating** – It is a privilege for all of Commonfund to be working with you and a special privilege for me to be here and meet you. We do appreciate the confidence you have placed in us, we are committed to continuing to earn it. On behalf of all of my colleagues, please consider all of the Commonfund resources “your” resources. Obviously today, we are here to talk about investments and what we are doing for you there. But think of our other resources as yours as well, whether it's around strategies, spending, governance, whatever it might be, we are here to support you.

**Stephen Lanzo** – My colleague Tom Snayd, who is the investment representative on the OHA relationship, will talk about our mandate with OHA. We are managing portfolios that serve as place holders to fund your uncalled capital that will go to the different partnerships that you've committed.

**Tom Snayd** – The Equity Hedge Fund Portfolio the Real Asset Portfolio and the Credit Hedge Portfolio. The three portfolios are designed to be a holding place for the commitments you have made to Private Equity, Private Natural Resources as well as Mezzanine Debt.

Monthly we set aside sufficient cash (inaudible), liquid portfolios today, expecting capital calls that come throughout the month. During the 2Q that was roughly about \$1.1M that was called down to the Qtr., these portfolios held a marketable security, a plate for these illiquid calls.

Page 76, for the 2Q ending June, proved really lack with capital markets, it was punctuated by Equity Market selloff that wiped out most of the year to date and that was the equity gain. Daily Market Volatility was primarily driven by macro issues with concerns over Greece throughout the Qtr. The European Equity Markets faired the brunt of the panic in these selloffs, while the U.S. markets were largely insulated by better domestic economic data. Japanese equities fared well for the Qtr. and were up nearly 3% while Europe sold off later in the Qtr. Within the non-marketable Hedge Portfolio return of 1.05% outperformed the composite benchmark by roughly 60 bps. Calendar year to date performance was positive with the portfolio returning 3.16% this was outperformance by 17 bps versus the relative benchmark. From a Regional stand point, the overweight for Japan was the biggest rival to relative performance as it was up 3%. And over to the U.S., specifically low Vol Strategies, proved difficult for the Qtr. In addition to that, our Japanese managers performed well, outperforming their benchmark by 3% which was good bps, so we are pleased with the performance there.

The Global Hedge Equity investment also post and solved its returning a .88% for the Qtr. The calendar

year to date and one year performance remain strong as well returning 4.19 and 8.23% respectively. At the end of August, the year to date performance relative to the benchmark was positive with outperformance of 30 bps. Going Forward we continue to favor low Vol Equity value oriented factor strategies in anticipation of a moderate US stock market recovery going in to the end of the year.

While certain statutes of the economy will suffer from small global growth, we believe that the US economy is resilient enough to continue modest growth. We remain overweight with Japan and underweight emerging markets in Europe and UK, and finding opportunity to decrease are underweight to Europe and have recently, as of Sept. 30<sup>th</sup>, hired an additional European manager at a key low price in our Global Equity portfolio as an additional European focused manager.

**Tom Snayd** – The Real Asset portfolio returned -2.82% for the Qtr. underperforming the benchmark by 136 bps. The portfolios underperformance was largely due to an overweight to REITs which were down by 10% for the Qtr. coupled with an underweight to Commodities which were up 4.5%, and energy and agriculture prices rose significantly during the Qtr. The overweight from the Public Natural Resources and REITs coupled with underweights and commodities that proved detrimental for the year to date with the portfolio underperformed the benchmark by 1%. However, relatively performance for the trailing 12 months is strong with the portfolio outperformed the benchmark by a .5%. We continue to remain overweight in Public Natural Resources relative to Commodities however, have found opportunity to moderately increase our commodities exposures. Continued employment growth in the general economic improvement in the U.S. should lead to positive fundamental backdrop for REITs. However, if rates show fast than anticipated, which we do not expect further decline in REITs, it could be expected. In addition, we do not see any increase right now until we see an uptake in inflation numbers.

**Ray Matsuura** – Are you underweight commodities or overweight?

**Tom Snayd** – We are underweight commodities.

**Ray Matsuura** –The 3rd point, you mentioned that the underperformance was due to an underweight in commodities.

**Tom Snayd** – Yes, because they outperformed. So the main drive there to the underperformance was the overweight to REITs which underperformed they were down 10% coupled with an underweight commodity which were up close to 5%. Credit portfolio outperformed the Qtr. returning .75% outperformed the index by roughly 80 bps and the primary driver there to performance was provided by the overweight to basically shorter duration fixed income assets. The rationale for this investing is a short high yield fund which tends to be less sensitive to rise in the interest rates and spread volatility in longer fixed income products. The strategy is intended to mitigate some of the portfolios risk to rising interest rates. Longer-term performance shows you the date and the one year remains challenges, largely due to some of the holdings in the funds, that are 20% weight energy sold off for the least year, it has cost issues or underperformance for the fund. The changes we're seeing in these particular portfolios, as mentioned in the Global Hedge and the Equity Hedge portfolios, what we're doing there is maintaining our overweight to Japan, maintaining our overweight to U.S., we're finding some stocks to use in Europe and UK as well as increase in our low Vol Strategies. Within the Real Asset portfolio we're maintaining that current positioning and within the Credit Hedge Fund portfolio we've increased our allocation to the Ag relative to benchmark about 5% overweight relative to its target weight.

**Dana Moreau** – Page 75. The Low Vol Podium Marketable Alternatives portfolio which held to diversify the rest of the holdings that you have, you have exposure to Real Estate, Private Equities, other Traditional Assets and the purpose of this book is to take uncorrelated risks and differentiate your portfolio from the rest of the vet that you have in there.

So, the 2Q as Tom mentioned really did suffer or punctuate with massive reversals in the risk markets. He talked about commodities reversing and that was led by oil, which spiked 25%.

2Q was not a great one for Low Vol Marketable Alternatives portfolio due to the fact that many of those reversals hurt our trend followers, so we had managers that were invested in those very moves that reversed on them. So, again to reiterate the positions in those diversifying trends have not changed, the long bonds, the short oil, and the long U.S. dollar, particularly versus the euro.

One update I want to give you guys was on 3Q, because of the difficulty we had in 2Q, we saw markets continue to sell off and 3Q by some measures is looking as poor as any quarter we've seen for risk assets since 2011. Your Hedge Fund portfolio held up much better, were roughly flat to down 20 bps while equities are down 7.7%, high yield bonds are down over 5%, commodities continue to sell off. So, 3Q much more like the profile we built for this fund, over the last three years, this portfolio since we instituted some of the changes to highlight the diversification properties of Hedge Funds has outperformed its benchmark by over 100 bps annualized over those three years. So, while this Qtr. was, 2Q was difficult due to those reversals, the long term track record as well as 3Q look much better.

**Catherine Keating** - A comment on 3Q looking at 2Q returns. The water metaphor known as Rapids, we don't necessarily see another waterfall, but we do see choppy rapids ahead. We're in the maturing phase of this business, where we tend to see divergences. We are watching for signs that the Global Economy continues to grow. The low growth in the economy can support some Positive Equity Markets. If, we start to see signs that we could be heading into a global recession, we would feel different, and position even more defensively. Recessions tend to correlate with their markets not corrections. These big macro themes and signs are what we watch for.

**Steve Lanzo** – We worked with David previously just to talk about any suggestions we had with regard to the allocation of the bucket. We're implementing two of those changes in the October timeframe.

**Tom Snayd** – The Low Marketable Alternatives portfolio, there was a target to commodities of roughly 18.75%, and recommended moving that allocation out of this portfolio and reallocating pro rata to the Hedge Funds. The main rationale for taking it out and replacing is really a volatility mismatch with having commodities in that portfolio. The other changes we were discussing making work in the Equity Liquid Hedge Portfolio, which was the first portfolio I reviewed which add an allocation or target to Global Equities which are benchmarked to Acclly of 75%, it had a target to Hedge Equity, Global Hedge Equity 20% and at target of 5% to cash.

There, we recommended in and agreed on removing the hedge equity component which was the Global Hedge Equity and replacing with Low Vol Utility Equities, which we actually own the global equity portfolios as well have additionally Low Vol. The reason there was to have better equity in this particular portfolio cause it's really designed to pay out capital calls so there is a little bit of liquidity mix manage with having the lock of Hedge Funds in that particular bucket. We're going to keep the 5% allocation target to cash because we typically put 5% cash on the side to fund capital calls. The change in benchmark there will

be we added the Russell volatility control index which mirrors the Low Vol component for that manager. The manager there is actually Martin Gale, asset manager that would be running that mandate. We would not be making any changes to the Credit Liquid Hedge Fund portfolio as far as targets go, that will remain 10% to the Barclays Ag in 90% to US high yields. Finally, the Real Asset portfolio, there's a kind of pool of assets that we've been spending the most time on and mostly due to the fact, that we wanted to diversify the recent portfolio, historically we had a 20% target to the strategic target, we were suggesting to reducing that to 10% in allocating that 10% to infrastructure and unlimited partnerships. Maintaining a 25% target to tips, maintain a 20% target to U.S. REITs, however looking at some long, short REIT exposure, we're continuing to monitor that manager that we've hired internally on that stand point. And finally, I'm happy to go over, particularly with Ray, the statistics in a lot of the analysis we've done behind those recommendations, when we have some time.

**Steve Lanzo** – That was a good point and just recognizing that these portfolios aren't static. It's our job to continue to think about the allocation of the portfolios and a lot of these changes that Tom's talking about had been asset allocation work that was done when Howard Hodel was here and when he was serving in that role. We continued to work with David; we'll work with Ray and bring our best thinking to how these portfolios are positioned and especially as they serve a special purpose of making sure to give you market exposure smartly, while waiting to fund illiquid partnerships. The changes Tom talked about is a reflection of the underlying assets that they are going to fund and how we can continue to make sure these portfolios match up in terms of their liquidity profile and not lose out on getting market exposure in the meantime.

**Ka Pouhana Crabbe** – We also shared that Ray will work with them to better learn the profile so that he can get up to speed. So, I am very confident with not just Ray, but with Dylan that we can get back up to speed of where we left off.

**Chair Machado** – Now that we have Ray, the issue keeps repeating itself on active management with our money managers. That's always been an influential part in our decision making not lonely the alignment of meeting that quarterly goals or earning the best for us, but understanding how they liquidate and how they go from one asset location to another. That may require a workshop for the Trustees when that time comes. And I leave that up to you Ray, and we'll continue to talk about that.

**Ray Matsuura** – Absolutely. Be more than happy to meet with Trustees and talk about where you are on the financial education level.

**Ka Pouhana Crabbe** – In lines with that Chair, I've spoken with Rodney from PKF. I am given, over the past six months with regard to our portfolio, our fiscal situation. We are working internally and administratively on one of the goals that I presented to the board for our Administration, would be to come up with a fiscal sustainability plan that takes in comprehensively the investment portfolios, how we are achieving our benchmarks, but also as former Trustee Stender was sharing how we really have to bridge the gap with our commercial properties and then how we manage that just budgetary for the next 3 - 5 and then 5 - 10 years plus.

**Chair Machado** - I would like to acknowledge that has always been the former Chair's position, which is Trustee Rowena Akana, to continue to push the organization to look at that level of management and sustainability. The more we get the better we can provide. I think we all have common agreement that that's where we would like to be.

**Trustee Ahu-Isa** – Ka Pouhana, we got to discuss my committee’s recommendation to increasing the fund, like \$100M next year. I’m sure our Commonfund people would love that.

**Chair Machado** – Thank you for your comments and you know we call that “a pit bull approach”, never give up until you succeed, and you are a strong advocate for that issue.

**V. BENEFICIARY COMMENTS**

None.

**VI. ANNOUNCEMENTS**

**Chair Machado** – Our next Resource Management meeting is scheduled for October 21<sup>st</sup> and we’ll start that one at 9:30 a.m., we have a long agenda. And then Nov. 4<sup>th</sup> will be with our Land and Property committee, so that will start at 9:30 a.m. We are going to send out a revised schedule until we get all of this fixed up and get input.

**VII. ADJOURNMENT**

**Trustee Apoliona** – Madam Chair, I move to adjourn.

**Chair Machado** – Thank you Trustee Apoliona. Is there a second to adjourn?

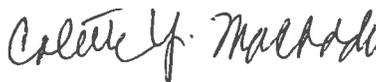
**Trustee Robert Lindsey** – Seconded the motion to adjourn.

**Chair Machado** adjourns the meeting at 12:01 p.m.

Respectfully Submitted,



Laurene Kaluau-Kealoha, Trustee Aide  
Committee on Resource Management



Trustee Colette Y. Machado  
Committee Chair on Resource Management

Approved: RM meeting on November 4, 2015